

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 1678 - SB 1638

February 14, 2020

**SUMMARY OF ORIGINAL BILL:** Authorizes The Register in Davidson County to sell alcoholic beverages for on-premises consumption.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Revenue - \$800/FY20-21/ABC Fund  
\$500/FY21-22 and Subsequent Years/ABC Fund  
\$9,300/FY20-21 and Subsequent Years/General Fund

Increase Local Revenue - \$6,800/FY20-21 and Subsequent Years/Permissive

**SUMMARY OF AMENDMENT (014675):** Deletes language from the original bill that specifies that the entity must be situated to the east of the Cumberland River.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Unchanged from the original fiscal note.

Assumptions for the bill as amended:

- This legislation only applies to one club located in Nashville, Davidson County.
- Removal of section two of the proposed legislation pursuant to the amendment (draft code: 014675) further clarifies that this legislation only applies to The Register in Davidson County.
- There is an initial application fee of \$300 and a \$500 annual fee payable to the Tennessee Alcoholic Beverage Commission (ABC).
- A total increase in state revenue to ABC of \$800 (\$300 + \$500) in FY20-21 and an increase in state revenue to ABC of \$500 in FY21-22 and subsequent years.
- No additional personnel or resources will be required by the ABC.
- Local privilege tax is estimated to be \$300 annually. Any increase in local government expenditures for collecting local privilege taxes is estimated to be not significant.
- State and local sales taxes and a 15.0 percent liquor-by-the-drink (LBD) tax will be assessed on alcoholic beverage sales.
- The current state sales tax rate is 7.0 percent; the local option sales tax rate in Davidson County is 2.25 percent; the effective rate of apportionment to local government pursuant to the state-shared allocation is estimated to be 3.617 percent.

- Pursuant to Tenn. Code Ann. § 57-4-306(a), 50.0 percent of the 15.0 percent LBD tax is allocated to the state General Fund and 50.0 percent is distributed to the local government.
- It is assumed that the establishment will begin selling alcohol in FY20-21.
- Based on the interquartile average of FY18-19 LBD tax returns and assuming reasonable growth rates in LBD tax collections, the average taxable base per establishment is estimated to be approximately \$130,000 per year.
- Given current limitations on the availability of LBD sales data by venue type and size, it is assumed that there are three venue-type categories: smaller than average; average; and larger than average. For the purpose of estimating the tax base for entities authorized to conduct LBD sales pursuant to legislation, the following ratios relative to the average LBD taxable base for all sized entities are utilized: 50 percent for smaller than average; 100 percent for average; and 150 percent for larger than average.
- Given the size and location of this particular venue, the recurring increase in sales is estimated to be \$65,000 ( $\$130,000 \times 50\%$ ) per year.
- The recurring increase in state revenue to the General Fund in FY20-21 and subsequent years is estimated to be \$9,260 [ $(\$65,000 \times 7.0\%) - (\$65,000 \times 7.0\% \times 3.617\%) + (\$65,000 \times 15.0\% \times 50.0\%)$ ].
- The recurring increase in local revenue in FY20-21 and subsequent years is estimated to be \$6,802 [ $\$300 + (\$65,000 \times 2.25\%) + (\$65,000 \times 7.0\% \times 3.617\%) + (\$65,000 \times 15.0\% \times 50.0\%)$ ].
- Any revenue collected from any state or local taxes imposed on manufacturers or wholesalers is estimated to be not significant.

## **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Krista Lee Carsner, Executive Director

/abw